



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of Pacific Gas and Electric Company to
Revise its Electric Marginal Costs, Revenue
Allocation and Rate Design. (U39M)

Application 16-06- 013
(Filed June 30, 2016)

**PROTEST OF THE UTILITY REFORM NETWORK
TO APPLICATION 16-06-013**

August 9, 2016

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**PROTEST OF THE UTILITY REFORM NETWORK
TO APPLICATION 16-06-013**

Pursuant to Rule 2.6 of the Commission Rules of Practice and Procedure, The Utility Reform Network (TURN) hereby submits this protest to the application of Pacific Gas and Electric Company (PG&E) seeking authority to update marginal costs, cost allocation and electric rate design.

I. GROUND FOR PROTEST

A. PG&E's proposal to adopt the rental method without actually applying the method is unreasonable.

In this application, PG&E proposes that Commission adopt the Rental Method to calculate marginal customer access costs while simultaneously proposing to leave revenue allocation unchanged from its previous General Rate Case Phase (GRC) Phase II.¹ In other words, PG&E is proposing a new marginal cost calculation methodology but declines to actually apply this methodology to the revenue allocation proposed in this rate case. By disconnecting the theory of marginal costs from its application to the calculation of revenue allocation to each customer class, PG&E attempts to avoid the customer impacts of this change in the rate case track of this proceeding while benefiting from using the Rental Method to justify higher fixed charges in the second track of this proceeding. PG&E obscures this fact by presenting the full cost allocation impacts of using the rental method or new customer only approaches to marginal cost calculation in its testimony,² but the two tables are irrelevant to PG&E's actual showing since PG&E uses neither of these methods.

As PG&E itself has stated, "the Commission has a long-standing policy of using marginal costs as the basis for cost allocation and setting electric rates."³ PG&E's attempt to disconnect marginal cost methodology from cost allocation and rate design is unreasonable and asks the Commission to accept divergent marginal cost approaches for revenue allocation and the determination of fixed residential customer costs. The Commission should reject PG&E's

¹ See General Rate Case Phase II Application of Pacific Gas and Electric Company (henceforth "PG&E Application"), filed June 30, 2016, pp. 5 and 7.

² PG&E-1, Ch. 1, Attachment A, p. 1-AtchA-1.

³ PG&E-2, p. 1-3.

attempt to cherry pick a preferred methodology for the two tracks of this proceeding and instead require PG&E to apply its preferred methodology to both its revenue allocation and fixed cost calculations.

B. The Commission should reject PG&E's use of the Rental Method for calculating marginal customer access costs.

PG&E proposes to use the Rental Method to calculate marginal customer access costs for each customer class⁴ and implies that the Commission has expressly endorsed the use of the Rental Method.⁵ In fact, the five most recently litigated decisions have adopted the New Customer Only (NCO) method which was originally introduced by PG&E in 1992. The NCO method has been adopted in three PG&E BCAPs and two litigated PG&E electric cases, the 1996 rate design case for Southern California Edison (SCE), and the 1996 SDG&E gas BCAP, and the 1999 consolidated SoCal and SDG&E BCAP.⁶

PG&E fails to support its late conversion to the Rental Method and, as indicated in the previous section, does not attempt to apply it to the primary function of this proceeding. TURN therefore objects to PG&E's proposal to use Rental Method and recommends that the Commission continue its practice of adopting the New Customer Only (NCO) method for calculating marginal customer costs in this proceeding.

C. PG&E's fails to adequately support its proposal to apply the previously adopted cost allocation.

Despite PG&E's request to adopt the Rental Method for determining marginal costs, PG&E actually proposes no changes to the current allocation of distribution and generation revenue associated with each rate class based on rates that are currently in effect.⁷ While the disconnection between PG&E's two proposals is unreasonable on its own,⁸ PG&E also fails to support its actual request to apply the previously adopted cost allocation.

⁴ PG&E Application, p. 5.

⁵ *Id.*

⁶ PG&E GRCs D.92-12-057 and D.97-03-017; Edison GRC D.96-04-050; 1999 SoCal Gas/SDG&E BCAP D.00-04-060.

⁷ PGE& Application, p. 7.

⁸ See Section A, above.

PG&E's current allocation is the result of a settlement agreement adopted in Decision 15-08-005, issued in PG&E's last General Rate Case (GRC) Phase II. In essence, PG&E is not proposing a general rate case here, but is, instead, requesting an extension of the settlement agreement. PG&E's request, however, lacks sufficient support. The cost allocation adopted in PG&E's last GRC was based on the record in *that* case and was reached through extensive negotiations between parties. The settlement agreement did not address or apply a specific cost allocation methodology. PG&E has not provided sufficient justification for applying the previous allocation in this proceeding nor has PG&E explained how the current allocation is reasonable given the updated costs.

D. The Commission should reject this application and order PG&E to refile an application with additional support.

PG&E has failed to adequately explain why it has proposed to adopt the Rental Method while declining to actually apply this methodology to its updated costs. PG&E's application also lacks sufficient justification for applying the previously adopted cost allocation in this case. The Commission should order PG&E to refile its application and present its proposed cost allocation based on its preferred methodology for revenue allocation and marginal cost calculations.

II. NEED FOR HEARINGS

TURN agrees with the need to schedule hearings for the rate case track of this proceeding. TURN also anticipates that hearings may be required for the fixed cost track as there are issues of fact that may be contentious.

III. PROPOSED SCHEDULE

Due to scheduling constraints, TURN requests that the due date for intervenor testimony be set for early February, 2017 as opposed to mid-January.

Dated: August 9, 2016

Respectfully submitted,

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